

THE ROCKY MOUNTAIN ECONOMY: UPDATE

January 2003

December's small job loss in Montana broke a three-month string of gains but left Montana's growth for the year 2002 of 1.9 percent well ahead of other states in the region. Wyoming's annual gain of 0.5 percent was off the pace set earlier in the year and was a distant second among Rocky Mountain states. North Dakota's small gain in December pulled this state's annual growth rate up from negative territory but left the job total unchanged from one year ago. South Dakota's sixth consecutive monthly loss brought the job total here down 0.3 percent for the year. Smaller losses in Colorado and Utah helped lower the extent of job decline in these two states but both finished the year down considerably from one year ago and well below peak levels of two years ago. Colorado's economy lost 72,000 jobs in the past two years, while Utah saw a cutback of over 25,000 jobs during the same time period. Unemployment rates dipped in Montana and North Dakota during December but were up in the remaining states. Surprisingly, unemployment was down from December 2001 in all states except Colorado and Wyoming.

An unexpectedly large loss of 101,000 jobs at the national level in December erased the modest gains of the summer and left the nonfarm job total at its lowest level since May 2002. A weak holiday retail season was the major culprit as seasonal hiring was well below expectations. Renewed layoffs in the airline industry added to the recent decline. The nation's unemployment rate held steady at 6 percent, positive news in view of the drop in payroll employment. Growth in Gross Domestic Product (GDP) fell to 0.7 percent in the fourth quarter of 2002, trading perilously close to negative territory but avoiding the dreaded "double-dip" into another recession. Annual growth data was more encouraging, revealing a 2.4 percent increase in GDP during 2002. This was considerably ahead of the meager 0.3 gain in 2001, a year in which the U.S. economy endured three quarters of negative growth.

U.S. housing starts in December soared to their highest level since 1986. The rate of over 1.8 million units was almost 16 percent ahead of the pace in December of 2001. A belated correction in apartment construction in Colorado's Front Range markets pulled the multifamily permit total for 2002 in the region down 20 percent from last year. Cutbacks of over 30 percent in Colorado and Wyoming erased a doubling of multifamily activity in Montana and a modest increase in North Dakota. Multifamily permits for the year 2002 were also down in South Dakota and Utah. The region's single family activity for 2002 was virtually unchanged from 2001. Renter vacancy rates in Colorado Springs and Denver shot up to almost 12 percent in the fourth quarter of 2002. Both rates were up 3 percentage points from last year's levels. Rental markets in both areas face extended periods of adjustment before returning to a reasonable balance.

Existing home sales activity in the Denver metro area during 2002 was virtually equal to the total for the previous year. Prices continued to rise but the double-digit gains of the late-1990s have receded. The 4.8 percent increase in average price for 2002 was the smallest annual gain since 1990. Foreclosure rates for the region and the nation both dipped in the third quarter of 2002. Montana's rate dropped back below 1 percent and Utah's fell below 2 percent to help pull the regional average down to 0.91 percent.

The U.S. Consumer Price Index (CPI) was down slightly in December but the annual rate of inflation is now up to 2.4 percent. The average 30-year fixed mortgage interest rate stayed below 6 percent for the entire month of January and averaged 5.92 percent for the month. Low rates throughout the past year helped set a new record for existing home sales in the nation in 2002. The total of over 5.5 million sales smashed the earlier record of 5.3 million sales in 2001. New home sales also surged at the end of 2002 as housing remains a bright spot in the U.S. economy. The Federal Reserve concluded its recent 2-day meeting with the Federal Funds rate unchanged and no major change in its "balanced" outlook statement,

preferring to wait for the outcomes of present “geopolitical risks”.